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7-17-71

MEMORANDUM FOR: Deputy Director (Support)

SUBJECT: Budget Problems Involving the Clandestine Services

1. In response to your oral request, we have listed below examples of recent happenings in connection with which we believe cooperation between the DD/P and the Office of the Comptroller could have been improved with a resulting benefit to the Agency. In each instance the incident or situation has had, or will have, a detrimental effect on the ability of this Office to perform its functions. The submission of this list in summary form may give the impression that a very great amount of difficulty has been experienced over an extended period of time. In fact, such has not been the case. For several years the Clandestine Services have been extremely cooperative and have been quite willing to assist us in the performance of our missions. As examples: From time to time Clandestine Services procedures have been changed to better fit them to our needs; individual offices have undertaken Financial Management Improvement experiments or provided special information at our request; and over a period of years there have continued to be close day-to-day working relationships with the staffs of the Clandestine Services and of the area divisions. The following list, then, is considered by us to be in the nature of background information for a possible discussion with the DD/P and not as a criticism of offices or of specific individuals.

2. Policy and Procedural Coordination.

a. Programs and Operating Budgets. After approximately six months of internal study, the Clandestine Services recently adopted a completely revised Operational Program format. Among other things, the new procedure appears to provide for more than 100 classifications of information not now available in the Agency's accounting system. These classifications will be used in lieu of project lists or other breakdowns to obtain FMC approval. The new procedure has important ramifications for the Comptroller's Office. As the primary record-keeping office of the Agency, we consider ourselves responsible for providing accounting-type information to the operating components of the Agency and to authenticate to the FMC, the Director, and other policy-making officers such accounting information as may be provided by the operating components. Secondly, the Office of the Comptroller has certain responsibilities for the monitoring of project limitations: The revision throws into question our responsibilities and our ability to discharge these responsibilities. Lastly, over the past several years, the Operational Program has served as a multi-purpose document:

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In addition to its use as a program, it also was used as an integral part of the Operating Budget. Thus, at the same time, it provided for the needs of management within the Clandestine Services and for the budgetary requirements of the Comptroller's Office. In our Bureau of the Budget and Congressional documents, we followed the classifications used in the Program to the maximum possible extent. As a result, the Program also could be used effectively during hearings and briefings. Programming procedures which are not co-ordinated with Agency budgetary requirements may result in substantial duplication of work on the part of budget officers, planning officers, and others.

Despite our three areas of interest noted above, no effort whatever was made to secure our views regarding the proposal. At about the time the change was approved, two members of this Office did receive an informal, unofficial briefing. However, no copy of the revised procedure has been made available to this Office and we are advised that no copy can be made available to us without the personal approval of Mr. Kissell.

b. Financial Management Improvement. There are a series of requirements levied upon us by law designed to improve financial management throughout the Government. Inasmuch as the D/P is the largest and most complex organization in the Agency, it necessarily is the component which will be most affected by the many direct and derivative changes which ought to be effected. In attempting to make changes affecting the D/P, we find ourselves unable, from a practical, workable point of view, either to determine the views of the D/P or to present our views to a point where internal D/P decisions can be made. The Office of the D/P has not resisted the implementation of PMI procedures, but neither has it endeavored to participate in the development of the required procedures nor has it attempted to utilize the new and proposed procedures for its internal management purposes. This defeats the purpose of the entire program. We end up with a duplication of procedures, none of which are of real value either for internal management purposes or for the Agency's external presentations. The value of some PMI proposals may be open to question but we cannot, as an Agency, request relief from these legal requirements until they have been given a fair trial within this Agency. Thus D/P cooperation is absolutely essential.

3. Working Coordination.

a. Comptroller Relationships with Budget Officers. Since establishment of Budget and Fiscal positions in the area divisions some eight or nine years ago, the Comptroller's Office always has

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had free access to its Budget and Finance Officers in the area divisions. In mid-1959 a [redacted] was issued which, on its face, almost precluded the direct flow of information from Budget and Fiscal Officers to the Budget Division. Admittedly, this [redacted] has never been enforced to the letter, but nevertheless it has caused delays and also has caused the Budget and Fiscal Officers to be reluctant to discuss matters directly with the Comptroller's Office.

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b. Office Estimates: Bureau of the Budget submission. At the time the Agency's FY 1960 Operating Budget was submitted to the Director for approval, Mr. Bissell, in a memorandum attached to the Agency Operating Budget, reserved the right to make changes in his office allocations; and Mr. Bissell in fact did make a series of revisions in his allocations subsequent to the Director's approval of the Agency Operating Budget. Later, at the time our Budget Call was issued, Mr. Bissell in turn issued what amounted to a stop-work order to his divisions to permit him to study the Call. After the Call finally had been agreed to by him, he stipulated that no Office Estimates could be released to the Budget Division until he personally had reviewed and approved them. Mr. Bissell's three actions caused several unfortunate results. As you already know, Mr. Bissell did not approve his Office Estimates until well into October, thus causing the Agency to be three weeks late in its submission to the Bureau of the Budget. Perhaps more important, the confusion and delays resulting from the July and August allocation and allowance adjustments (also see paragraph 3-4, below) and the "stop-work order" forced the divisions into submitting poorly-planned, hastily-prepared documents. In view of the urgency and the necessity for going through Projects and Programs Group channels, few questions could be clarified and Estimates had to be used more-or-less as submitted. Thus, serious deficiencies were built into the Bureau of the Budget submission. These deficiencies caused difficulties during the Bureau of the Budget hearings, caused minor inaccuracies in the QSB Report, and provided considerable difficulty both to the offices and to us in the preparation of material for the Congressional Hearings.

c. Congressional Program Review. The Comptroller reviews each Operational Program prior to its submission to the PRC. Normally, we receive an advance copy of the Program shortly after its preparation. In the year just past, the DD/P directed that no Program should be released to us until Mr. Bissell had made his final review. As a result, in most instances we had less than one and one-half days time in which to analyze each Program, prepare a memorandum, and put the memorandum into the hands of the PRC. We see no reason why we should not continue to obtain advance copies even though subsequent changes might be made in some cases.

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4. Inter-Office Allocation Adjustments. In prior years, allocation adjustments resulting from transfers of projects, personnel, or functions from one office to another had been worked out by an ad hoc group which included the SEA (Comptroller), the two interested Budget and Fiscal Officers, and a representative of the Budget Division. (A similar practice is still followed in the DS/I and DD/S.) Shortly after he took office, Mr. Bissell personally began to initiate most allocation adjustments. We have no objection to this procedure ~~per se~~, but in many instances his precise intentions were not made clear either to us or to the affected offices. To cite two types of examples from a series of cases: Prior to the beginning of FY 1969, Mr. Bissell reduced the DS Division's FY 1968 Operating Budget without explaining in detail the reason for the redistribution of these funds. At about the same time, he transferred Project [REDACTED] from DS to the Development Projects Division. The DS Division assumed that [REDACTED] funds had been withdrawn in the over-all reduction. The Budget Division assumed to the contrary and in the Agency Operating Budget dated 31 July 1979 we recommended that an amount be transferred from DS to DPD. In a revision of allocations dated 21 August, Mr. Bissell took no cognizance of this recommendation with the result that neither DS nor DPD included this amount in the FY 1969 column of its Office Statement and the amount presumably remains unfunded. In connection with transfers of personnel positions between offices, Mr. Bissell has never expressed a policy. Where the position transfer is documented by a [REDACTED] the SEA Staff prepares an adjustment action for Mr. Bissell's signature — a cumbersome procedure at best. In other instances, the SEA (Comptroller) Staff may not be aware of the personnel action, and we are not clear as to what action, if any, we should take in these instances. This makes for continued uncertainty on the affected offices as to how to program funds and, in one or two instances, has resulted in an inaccurate picture in Agency budget submissions.

4. Relationships with the Bureau of the Budget Generally; Releases; Memoranda.

a. Agency Contracts with the Bureau of the Budget. There has been a long-standing Agency policy that contacts with the Bureau of the Budget will be made only by this Office, the DS/S, or the DCI. During the past year, the DS/P personally and, so we believe, other members of the Clandestine Services have briefed representatives of the Bureau on pending questions at informal meetings at which representatives of this Office were not present. We have not been given copies of memoranda for the record, if any. Since DS/P plans do change from day to day, we find ourselves during subsequent hearings and discussions in danger of providing information which, on its face, may be contradictory to that provided separately by the DS/P.

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Any views expressed by a senior officer of the Agency may be construed by Bureau of the Budget officials to be the official views of the Agency. To avoid any appearance of confusion, uncertainty, or conflict within the Agency, we believe it essential that a representative of this Office be present at all discussions, formal or informal, with the representatives of the Bureau of the Budget. If we are not present, we must be advised of precisely what has been discussed and of what agreements have been reached.

b. Releases from the Reserve. During the past year, the DD/P has developed the practice of obtaining the approval of the Director for a release from the Reserve prior to any coordination with the Office of the Comptroller and without a presentation to the Director of the budgetary implications. Once the approval of the Director has been obtained, we, of course, are reluctant to reopen the issue. Thus, the Agency has been put in the position of requesting releases which never should have been requested either because of the nature of the releases or because we could not properly certify that we had no funds available for the particular activity. We consider some of the release requests to have been quite improper and had we been consulted in advance, we would have recommended strongly against them. In one instance, a release was requested at the very time that the DD/P had more than twice the requested amount committed as an uncommitted reserve. In another instance, the advice of the division budget officer, to the effect that division funds were available, was rejected. In still other instances, we are aware that the advice of division budget officers was not requested prior to the submission of the request for DCI approval. Thus, the policy seems to have developed of funding all new items of any significance from the Reserve rather than only those which could not be funded by internal savings. The Bureau has become increasingly critical of our use and of the size of the Reserve. The continuation of such practices could seriously and adversely affect the present policies concerning the use of the Reserve.

c. Hearings. During special briefings conducted in October, the Clandestine Services was represented only by Division Chiefs or Deputy Chiefs. With one or two exceptions, these briefings were well done. However, during the subsequent budget hearings and during hearings in connection with releases, the divisions often have been represented by "the second team." At times, these individuals were not well-prepared or gave testimony which did not support the budget figures. In other instances, the impression was given that clear objectives or firm plans were lacking or that CIA did not have adequate control of the situation.

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Since the persons appearing at hearings, in connection with the budget and in connection with releases, are seldom known to us more than a few hours or even a few minutes before the hearings commence, we cannot brief all persons in advance. We believe that the DC/P must assist us in stressing the importance of being prepared and of supporting the official Agency position.

5. Internal Agency Hearings for the Clandestine Services. Each year hearings are conducted by the Budget Division in connection with estimates submitted by the DD/I and DD/S offices. This is consistent with the practice in other agencies. In recent years, no hearings have been held in connection with the estimates submitted by the offices of the Clandestine Services. However, experience during this period has indicated a need for a resumption of these hearings. This need was expressed to the PRC in the spring of 1960 at which time the PRC agreed to the holding of hearings in the Clandestine Services effective with the FY 1960/FY 1961 operating budget. Unfortunately, the various actions of the DC/P, referred to previously, and negotiations with the Bureau of the Budget in connection with personnel and dollar ceilings made hearings inadvisable, if not impossible.

As a result of situations which subsequently occurred both internally and externally due to our failure to hold hearings, we believe more firmly than ever that hearings must be held on the next Clandestine Services budget submission. Internally, incorrect interpretations and misunderstandings resulting from the absence of a sound professional budget review, including hearings, can be corrected and allowances can be adjusted as the year progresses. Externally, the problem is a good deal more serious. The Bureau of the Budget tends to base the depth of its review upon its perception or opinion of the quality of the internal review or control. Where the internal review is considered adequate, the Bureau of the Budget review is directed to programs. Where the internal review is considered inadequate, the review and hearings are conducted in considerably more detail; and questions tend to be directed more to the "how" and "how much", (questions which are difficult to answer in a secure manner), rather than to the "why" and "what do you expect to accomplish", (questions which are more easily answered.) During the hearings of last autumn, country and mission schedules were requested, some project budgets were examined, and questions were asked in considerable depth. As a result none of the estimates submitted to us by the Clandestine Services cracked under the strain. Since then the Bureau, by words and actions, clearly has indicated that it questions the estimates of the Clandestine Services. An example of this line of questioning is the Bureau's almost unparalleled action to require post-appropriation justification of [redacted] earmarked for PP activities. Unless we can convince them of the integrity of our estimates, in future years still more information may be required and even larger amounts may be subjected to Bureau control.

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Accordingly, if the DD/P is to maintain maximum security and maximum freedom of action, it is essential that internal budget hearings be held and weaknesses corrected prior to the Bureau of the Budget hearings.

6. Special Problems Affecting the Development Projects Division. With no other office have we had a comparable number of problems during the past year. For several years, the DPD was a comparatively small, independent unit which could be accorded special treatment. At the present time, it obligates one-quarter of the Agency's budget, must be treated as an integral part of the DD/P and, since the assignment of the Air Operations to it, has activities which interweave with those of the area divisions.

In part this change in status has been recognized by personnel in the Development Projects Division, but they do not feel they can make changes from past procedures without the personal approval of Mr. Bissell. To date, the opportunity to discuss these matters in detail with Mr. Bissell has not presented itself and as a result the budgetary information received from DPD has not met our minimum needs.

We therefore believe it essential that there be a meeting between representatives of this office, the DPD, and Mr. Bissell in order to obtain a better definition of the amount of security required to protect the various DPD operations, and to determine the degree to which DPD can provide standard budgetary data.

7. Conclusion: we believe there is little to be gained by a detailed discussion of past errors and misunderstandings, but we would welcome an opportunity to participate with you and General Cabell in a meeting with Mr. Bissell to discuss approaches to the solution of the general problems which have been identified. At the meeting we would like to achieve a mutual understanding on the following points:

a. The degree of coordination to be achieved between DD/P programs and Comptroller/PMI accounting processes on the one hand, and DD/P programs and the Agency's budget system on the other hand. Ideally, we would like to have Mr. Bissell appoint an individual or a committee who could work with us in developing procedures agreeable to the DD/P, and who in turn could implement within the DD/P those agreed-to procedures requiring DD/P approval or action.

b. Comptroller responsibilities for monitoring project or other PMI-approved limitations.

c. Liaison with the Bureau of the Budget and procedures in connection with releases.

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4. Responsibilities in connection with the adjustment of office allocations.

e. Policies and procedures in connection with internal budget hearings.

f. Budgetary relationships with the Development Projects Division.

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**E. B. [Redacted]
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BD/COMP/CNM/RLW/odb (2 Mar 1960)

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